

October 29, 2002

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**TEN YEAR SUBLEASE  
DEPARTMENT OF COMMUNITY AND SENIOR SERVICES  
12700 AVALON BOULEVARD, LOS ANGELES  
(SECOND) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Chairman to sign the attached ten-year sublease with the State of California (State) for an 8,228 square foot portion of the County leased building at 12700 Avalon Boulevard, Los Angeles, to be used by the State as office space at an initial annual rate of \$244,656.
2. Authorize the Chief Administrative Office (CAO) to utilize unexpended funds previously allocated and approved by your Board for low voltage and telephone systems in an amount not to exceed the unexpended remaining balance of \$90,000 for tenant improvement (TI) change order expenditures, if necessary, to be paid in lump sum to complete the project. Costs for the project are offset through grant allocations.
3. Authorize the Chief Administrative Officer, upon approval by County Counsel, to enter into any required amendments to the sublease to effect the actual occupancy and/or rent commencement dates.
4. Make a finding that the sublease of the subject property is categorically exempt from the California Environmental Quality Act (CEQA).
5. Approve the project and authorize the CAO and Department of Community and Senior Services (DCSS) to implement the project.

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### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On September 4, 2001 your Board approved a lease for a 24,706 square foot building located at 12700 Avalon Boulevard, Los Angeles. As part of that approval process, your Board was advised that the building would be jointly used with DCSS' operating partners including the State of California for the purposes of operating a One Stop resource center for individuals and employers who are looking to identify opportunities for employment and training services. Specifically, the State's involvement through the Employment Development Department will allow the One Stop to provide services related to the initiation and ongoing processing of unemployment claims.

The County has the lead in developing this particular One Stop due to the ongoing need for these employment programs but the comparatively short term contract with the County's operating partners. In the event the operating partners change, the underlying community resource center will continue to exist.

The State's occupancy represents 33 percent of the building, which is a modest increase from the occupancy level envisioned in the program identified in the September 2001 Board letter.

The proposed sublease will generate income for the County which will be used to offset the costs incurred by the County to operate the proposed One Stop. The programs slated to be offered will target constituents living in the Willowbrook area, which has demonstrated a clear need for employment enhancement services.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The Countywide Strategic Plan directs that we invest in public infrastructure, in order to strengthen the County's fiscal capacity. The co-location into leased space of programs with the shared objective of developing employment opportunities, in this case private non-profits with the State and County, supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2).

### **FISCAL IMPACT/FINANCING**

The annual income of \$244,656 derived from this sublease will be used to offset the County's operating costs associated with the occupancy of the One Stop. The remaining occupancy costs estimated to be \$464,522 in the first year will be funded through Federal Workforce Investment Act grants administered by DCSS.

<b>Terms</b>	<b>Board Approved Lease September 14, 2001</b>	<b>State Sublease</b>	<b>County Occupancy</b>
Area	24,706 sq. ft.	8,228 sq. ft.	16,478 sq. ft.
Term	10 years	10 years	10 years
Annual Rent	\$709,178 (\$28.70 sq. ft.)*	\$244,656 (\$29.73 sq. ft.)	\$464,522 (\$28.19 sq. ft.)
Cancellation	anytime after 60 <sup>th</sup> month upon 120 days notice	anytime after the 48 <sup>th</sup> month upon 90 days notice.	anytime after 60 <sup>th</sup> month upon 120 days notice

\* The annual rent includes the amortization of the entire additional tenant improvement allowance equal to \$917,500 over five years at 10 percent per annum.

- The monthly sublease of \$20,388 is subject to fixed four percent annual increases.
- The September 2001 Board letter, along with the approved lease for the 12700 Avalon Boulevard building, adopted the recommendation to allocate \$290,000 for telephone and low voltage systems. The costs for telephone and low voltage systems is currently projected not to exceed \$200,000, leaving a remaining balance of \$90,000. This Board letter recommends transferring that \$90,000 to the TI budget which is administered by CAO. If this recommendation is adopted, internally, DCSS along with CAO will transfer the required funds between the applicable budgets, for a zero net effect in budgeted costs attributable to the completion of this project.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The tenant improvements anticipated under the County lease are underway, with construction completion targeted for November 2002. The proposed sublease will be used to accommodate the space needs for the State's Employment Development Department whose participation is integral to the success of the One Stop. The proposed sublease provides the State with 8,228 square feet of office space and adequate parking. The sublease contains the following provisions:

- A cancellation provision allowing termination of the sublease after the 48<sup>th</sup> month upon 90 days prior written notice. Whereas, the County lease cannot be cancelled until the 60<sup>th</sup> month, staff attempted to negotiate a similar cancellation option, however, the State, due to legislative constraints, could not comply. In the event the State terminates prior to the County, DCSS will proceed with the One Stop services and another County department or compatible service provider will be identified to backfill the vacated space.
- The term commencement is anticipated to be December 1, 2002 or, upon determination by the State, this date could be adjusted to reflect the actual completion and acceptance of the TIs. The sublease will terminate ten years thereafter.

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- The quoted monthly rent includes the State's pro-rata portion of the \$917,500 additional TI allowance which was provided under the County's lease. Pursuant to the terms of that lease, the State's rent reflects the value of their pro-rata portion amortized at 10 percent over five years.
- The \$917,500 in additional TI was originally determined per estimates prepared by the lessor. As construction has progressed it is clear this amount may not be sufficient to complete the project. The reallocation of the \$90,000 for TI costs will provide the means to finance reasonable changes in construction that are typically encountered for projects such as this.

#### **NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT**

The CAO has made an initial study of environmental factors and has concluded that this sublease is exempt from CEQA pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061(b)(3) of the State CEQA Guidelines.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

It is the finding of the CAO that the proposed sublease is in the best interests of the County and will adequately provide sufficient space for the State's programs which will compliment the programs being promoted by the County. In accordance with your Board's policy on the housing of any County offices or activities, DCSS concurs in this lease recommendation.

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### **CONCLUSION**

It is requested that the Executive Officer, Board of Supervisors, return all seven original copies of the executed sublease, and two certified copies of the Minute Order, and the adopted, stamped Board letter to the CAO Real Estate Division at 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012 for further processing. Whereas the State will execute subsequent to the County, one fully executed original agreement will be returned to the Executive Office for its files.

Respectfully submitted,

DAVID E. JANSSEN  
Chief Administrative Officer

DEJ:SNY  
CWW:CK:rmc

### **Attachments**

c: County Counsel  
Auditor-Controller  
Department of Community and Senior Services